
By: **Delegates Gordon, Barkley, Benson, Conroy, Cryor, Donoghue, Heller,
Hixson, Holmes, Howard, Hubbard, James, Malone, Mandel, McKee,
Montgomery, Nathan-Pulliam, and Proctor**

Introduced and read first time: February 9, 2004

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax - Subtraction Modification for Retirement Income**

3 FOR the purpose of altering the computation of a certain subtraction modification for
4 certain retirement income allowed for certain individuals who are at least a
5 certain age or who are disabled or whose spouse is disabled; providing for the
6 application of this Act; and generally relating to a subtraction modification
7 under the income tax for certain individuals for certain retirement income.

8 BY repealing and reenacting, with amendments,
9 Article - Tax - General
10 Section 10-209
11 Annotated Code of Maryland
12 (1997 Replacement Volume and 2003 Supplement)

13 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
14 MARYLAND, That the Laws of Maryland read as follows:

15 **Article - Tax - General**

16 10-209.

17 (a) In this section:

18 (1) "employee retirement system" means a plan:

19 (i) established and maintained by an employer for the benefit of its
20 employees; and

21 (ii) qualified under § 401(a), § 403, or § 457(b) of the Internal
22 Revenue Code; and

23 (2) "employee retirement system" does not include:

- 1 (i) an individual retirement account or annuity under § 408 of the
2 Internal Revenue Code;
- 3 (ii) a Roth individual retirement account under § 408A of the
4 Internal Revenue Code;
- 5 (iii) a rollover individual retirement account;
- 6 (iv) a simplified employee pension under Internal Revenue Code §
7 408(k); or
- 8 (v) an ineligible deferred compensation plan under § 457(f) of the
9 Internal Revenue Code.

10 (b) (1) [To] SUBJECT TO THE LIMITATION UNDER PARAGRAPH (2) OF THIS
11 SUBSECTION, TO determine Maryland adjusted gross income, if, on the last day of the
12 taxable year, a resident is at least 65 years old or is totally disabled or the resident's
13 spouse is totally disabled, an amount is subtracted from federal adjusted gross
14 income equal to [the lesser of:

15 (1)] the cumulative or total annuity, pension, or endowment income from
16 an employee retirement system included in federal adjusted gross income[; or].

17 [(2) the maximum annual benefit under the Social Security Act computed
18 under subsection (c) of this section, less any payment received as old age, survivors, or
19 disability benefits under the Social Security Act, the Railroad Retirement Act, or
20 both.]

21 (2) (I) THE SUBTRACTION UNDER THIS SECTION MAY NOT EXCEED AN
22 AMOUNT EQUAL TO THE MAXIMUM PENSION EXCLUSION AMOUNT DETERMINED
23 UNDER SUBPARAGRAPH (II) OF THIS PARAGRAPH, LESS ANY PAYMENT RECEIVED AS
24 OLD AGE, SURVIVORS, OR DISABILITY BENEFITS UNDER THE SOCIAL SECURITY ACT,
25 THE RAILROAD RETIREMENT ACT, OR BOTH.

26 (II) THE MAXIMUM PENSION EXCLUSION AMOUNT IS:

27 1. FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31,
28 2004 BUT BEFORE JANUARY 1, 2006, 105% OF THE MAXIMUM ANNUAL BENEFIT UNDER
29 THE SOCIAL SECURITY ACT COMPUTED UNDER SUBSECTION (C) OF THIS SECTION;

30 2. FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31,
31 2005 BUT BEFORE JANUARY 1, 2007, 110% OF THE MAXIMUM ANNUAL BENEFIT UNDER
32 THE SOCIAL SECURITY ACT COMPUTED UNDER SUBSECTION (C) OF THIS SECTION;

33 3. FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31,
34 2006 BUT BEFORE JANUARY 1, 2008, 115% OF THE MAXIMUM ANNUAL BENEFIT UNDER
35 THE SOCIAL SECURITY ACT COMPUTED UNDER SUBSECTION (C) OF THIS SECTION;
36 AND

